Racine Financial Consulting

1429 Huntly Court
Cary, NC 27511

September 28, 2005

Robert Sepe
Action Audits
101 Pocono Lane
Cary, NC 27513

Re: Analysis of Impact of Adelphia Transactions on Adelphia Franchise Holders

Mr. Sepe,

Per your request, I am attaching my opinion of the impact to Adelphia Franchise Holders of the pending Adelphia purchase by Time Warner Cable. The completion of the Adelphia transactions would very likely be followed by a raise in rates by Time Warner Cable and would result in diminished customer and technical service and a minimal likelihood of pervasive system upgrades to the purchased Adelphia systems. In addition, material financial uncertainties and questionable Time Warner Cable business practices further increase any municipality's risk associated with the Adelphia transactions.

In coming to this conclusion, I have reviewed Time Warner, Inc. and Time Warner Cable, Inc. financial statements for the year ended December 31, 2004 as well as the Time Warner, Inc. June 30, 2005 10Q and various other documents. I was unable to review the Time Warner Cable, Inc. quarterly financial statements for 2005 as Time Warner would not provide them. I feel there is significant additional information that could be gleaned from these quarterly statements to further support my opinion.

Sincerely,

Kim Racine

Financial Impact of the Pending Adelphia/Time Warner Cable Transfer of Ownership

Time Warner Cable has entered into an agreement with Comcast and Adelphia to purchase Adelphia assets, to redeem Comcast's stock in Time Warner Cable, and to swap certain cable systems with Comcast to effect greater clustering across the United States.

Based upon my analysis, it is my opinion that the completion of these Adelphia transactions would be followed by a raise in rates by Time Warner Cable and would result in diminished customer and technical service and a minimal likelihood of pervasive system upgrades to the purchased Adelphia systems. In addition, material financial uncertainties and questionable Time Warner Cable business practices further increase any municipality's risk associated with the Adelphia transactions.

The Adelphia Transactions and Time Warner Cable Financial Discussion

The Adelphia Transactions.

32% Subscriber Growth--Time Warner Cable (TWC) will gain 3.5 million subscribers when all Adelphia transactions -- the Adelphia purchase, the TWC and TWE Redemption Agreements and the Cable Swaps -- are complete. The total cash required by TWC for these Adelphia transactions is roughly $11.2 billion (Exhibit A). In addition, TWC will issue 16% of its common stock to Adelphia. A very conservative estimate of the book value of this stock is $3 billion. Using the purchase price per subscriber of $3810 from the Adelphia purchase contract would render a fair market value of this TWC stock in excess of $7.5 billion (TW 8-K 4/05). Using the $4960 stock valuation from TWC's Second Amended Disclosure Statement, TWC will effectively pay over $19 billion for the 3.5 million subscribers it gains from the Adelphia transactions (Exhibit A). This payment results in an effective cost per subscriber of over $5,400.

Significant Clustering-- TWC is willing to pay a premium for the Adelphia transactions in order (1) to achieve over 30% subscriber growth and (2) to benefit from significant clustering from the cable swaps. Currently, TWC manages customers "in highly clustered and upgraded systems in 27 states." (TW 10-Q 06/05) Approximately 89% of TWC's existing subscribers are located in eight states. After the Adelphia transactions, 95% of TWC subscribers will be located in nine states (Disclosure Stmt 6/05) and over 85% of TWC subscribers will be in the top 5 US markets (Icahn Partners L P (9/12/05).

Considerable New Debt--In order to effect these Adelphia transactions, TWC plans to assume $8.9 billion in new debt and to issue publicly traded stock in TWC to Adelphia shareholders (TWC Bailey 7/05). Doing so will more than double TWC's existing long-term debt and will increase its debt to equity ratio from 1.28 in December of 2004 to an estimated 1.59 after the Adelphia transactions are complete (Exhibit A).

TWC Financial Discussion.

Poor Liquidity--TWC represents a significant portion (22-44%) of its parent company, Time Warner Inc.'s, assets, liabilities, equity, income and interest expense. Yet TWC provides only 4% of Time Warner's (TWX's) Quick Assets, indicating a relatively low liquidity level for TWC. TWC's current assets are only 30% of its current liabilities, putting TWC in a questionable position of being able to pay short term liabilities (Exhibit D).

In fact, all of TWC's liquidity ratios reflect a potential problem with liquidity. TWC is even less liquid now than bankrupt Adelphia was at year-end 2003 (Exhibit E). It is a positive sign that a large portion of TWC's cash is being used to pay down debt (TWC 12/31/04), but cash levels are dangerously low, especially considering that debt is being paid down so that more debt may be incurred to acquire Adelphia and other potential cable systems. With a defensive interval of 33 days, TWC could continue business one month in the absence of external cash flows. In summary, TWC will be able to meet short term obligations as long as its predicted revenues are not interrupted. Any absence of or decrease in revenues would put TWC in danger of not being able to meet even short term bills, much less longer term debt.

Highly Leveraged--TWX's total liabilities represent roughly 50% of its total assets. TWC, however, has liabilities equaling 56% of its total assets (Exhibit E). This makes TWC a higher risk to creditors than TWX. Although TWX total debt to total equity is 95% (a percentage which has declined since 2003), TWC's debt is 1.3 times its equity, has increased since 2003, and will increase to 1.59 after assuming $8.9 billion in new debt in the Adelphia transactions (Exhibit A). In addition, while the company shows a projected reduction in long term debt owed to TWX in 2006 and in 2007, it shows no reduction in outstanding bank credit during that time, indicating a plan to pay the interest only on these bank loans for at least the next two years (Disclosure Stmt, 6/05). At the end of 2007, TWC's projected debt-to-equity is 1.47, only slightly down from the projected 2006 debt-to-equity. In essence, while TWC is not as leveraged as bankrupt Adelphia, it has a high level of debt relative to its equity and assets. The Adelphia transactions and future acquisitions will further increase TWC's debt and reduce its liquidity. TWC has prepared projected financial statements but has failed to provide local franchising authorities (LFAs) details regarding these statements and how the company intends to cover additional expenses from its newly acquired debt.

Impact to Municipalities

Given that TWC will achieve significant growth and additional clustering from the Adelphia transactions and that TWC has low liquidity and is adding more debt to an already leveraged balance sheet, how will its day-to-day operations be affected? In my opinion, Time Warner Cable customers will experience rate increases, a reduction in customer and technical service levels, and a minimal likelihood of pervasive system upgrades to the purchased Adelphia systems.

Rate Increases.

Industry Trends—The likelihood of TWC rate increases is supported by industry trends, TWC's rate history, and TWC's need to return its investment in the Adelphia transactions. First, the cable industry and TWC in particular have a history of raising rates. The General Accounting Office found that "in recent years, rates for cable service have increased at a faster pace than the general rate of inflation." (GAO-04-08, 2003) The GAO has also shown that systems with clusters have higher rates (*id*). As previously mentioned, the Adelphia Transactions and subsequent cable swaps between Comcast and TWC will result in increased clustering across the US. Following the GAO's research, this additional clustering and cable rate history indicate that rates will increase.

TWC Rate History (TWC 12/31/04)--TWC has a history of raising rates to produce an annual increase in revenues (see Exhibit C-Chart 4). TWC categorizes its subscription revenues into three major products: Video, High Speed Data, and Digital Phone. TWC's Video product provides almost 75% its revenue but represents a "relatively mature" market (TWC 12/31/04). "Management expects that video revenue will continue to grow in the future, reflecting rate increases and increased revenue from digitally based services." (TWC 12/31/04) In other words, TWC admits the company plans to raise rates to continue to grow their video revenues in a maturing market. It also predicts increased revenue from a growing digital video market. Yet only 17% of TWC's 2004 Total Video Revenue was derived from an actual increase in digital subscribers (Exhibit C–Chart 7). Since non-digital video products actually lost subscribership in 2004, the remaining 85% of 2004 video revenue growth (its main revenue provider) was due to <u>increased rates</u>. In fact, over the last three years, TWC has consistently raised rates in each product category (Exhibit C–Chart 4). (The only exception is Commercial High Speed Data in 2004 which only represents 1% of its 2004 subscriber base and 2.3% of 2004 revenues). It raised digital video rates and residential high speed data rates even though its customer base was growing rapidly (Exhibit C – Charts 4 & 5).

In summary, even though TWC lost .3% of its largest customer base (video subscriptions) in 2004, the company was still able to increase revenues by increasing rates. Since TWC will lose 755,000 of these existing customers to Comcast in the Cable Swaps and since TWC management anticipates video market maturation and increased competition in its growing markets of high speed data and digital phone services, TWC will be inclined to raise rates wherever possible to report increased annual revenues to shareholders. New debt and reduced liquidity from the Adelphia transactions clearly give TWC additional motivation to continue its practice of annual rate increases.

Indeed, Time Warner announced in its first quarter 2005 8-K that TWC increased basic cable rates in the first quarter of 2005 (TW 8-K 5/5) and stated in its second quarter 10-Q that subscription revenues increased in the second quarter of 2005 partly due to video rate increases (TW 10-Q 6/05). TWC already announced third quarter 2005 rate increases at its Houston branch (Donahue, Steve 9-20-05). In its post-Adelphia-transactions projected financials, TWC predicts a 12 percent increase in revenues from 2006 to 2007 which it states will be partly due to rate increases (Disclosure Stmt 6/05).

Need for payback on Adelphia Investment-- TWC will be motivated to return its investment in Adelphia. Using the Payback Method of investment return to look at the Adelphia transactions, it would take TWC an estimated 57 years to return its investment in Adelphia, assuming that TWC continues to make capital outlays at about the same rate as it did in 2004 (an extremely conservative estimate given the $600 million TWC has earmarked for upgrades to Adelphia's technology (TWC Bailey, 7/05)) and assuming that TWC does not raise rates or cut costs in the future (Exhibit B). There is every indication that TWC will be motivated to return its investment in a shorter time frame than 57 years. To do so, TWC will likely continue to annually raise rates and attempt to reduce expenses.

Reduced Service Levels.

TWC estimates cost savings of $200 million from the Adelphia purchase (FCC 5/05). TWC would not provide a breakdown of this estimate (i.e. how much for headcount reduction, how much for facilities savings, etc.) or a detail of the time period over which the $200 million savings is expected to be realized (TWC Nash 9/05). In its pro formas, the assumption is that "the net cost savings from the elimination of duplicative corporate functions are phased in over the first year of operations" following the Adelphia transactions (Disclosure Stmt 6/05) and the Nash County document confirms that this $200 million in savings will involve reductions in corporate overhead (TWC Nash 9/05).

TWC will need to further reduce costs to shorten its payback period on these Adelphia transactions. It only makes sense that TWC will look to its biggest cash outflows to effect these reductions: Cost of Revenues; Selling, Administrative (SG&A) expenses; and capital expenditures. Cost cuts in these areas will most likely lead to reduced customer and technical service levels and a minimal likelihood of pervasive system upgrades.

Diminished Customer and Technical Service--Cost of Revenues represented over 70 percent of TWC's total costs and expenses before depreciation, amortization and goodwill impairment for the years ended December 31, 2002, 2003 and 2004 (TWC 12/31/04). TWC's biggest contributors to Cost of Revenues include (1) video programming costs and (2) employee costs, which consistently represented almost 80% of the company's total cost of revenues from 2002 to 2004. According to TWC, video programming costs will continue to increase annually largely due to contractual rate increases (TWC 12/31/04). Contractual rate increases have been the largest contributor to video programming costs over the last 3 years. Since that cost is not controllable by TWC and since they have firm commitments related to programming purchases over the next 5 years of over $9.5 billion, they will most likely look to the next biggest contributor of cost of revenues in order to reduce costs: employee-related expenses. The fastest way to reduce employee costs is to reduce headcount which will in turn negatively affect customer and technical service. TWC could also reduce benefits, a major contributor to its employee-related expenses. But that would also negatively impact customer and technical service, as employees with reduced benefits tend to be dissatisfied employees and less inclined to provide the most optimal customer and technical service.

The second expected area for expense reductions is selling, general and administrative costs which represented over 28 percent of its total costs and expenses before depreciation, amortization and goodwill impairment for the years ended December 31, 2002, 2003 and 2004 (TWC 12/31/04). Again, the biggest contributor to SG&A is employee-related expenses; merit-based salary increases and the increased cost of employee benefits in particular. Employee expenses represent over 40% of the company's SG&A consistently from 2002 to 2004 (TWC 12/31/04). TWC would be motivated to reduce headcount and/or benefits to decrease these expenses, neither of which would have a positive impact on customer and technical service.

TWC has accrued $17 million and $13 million, respectively in the first and second quarters of 2005 for the "early retirement of senior executives." The company also expects more of these restructuring costs to come in the remainder of 2005; only $3 million of these have been paid out to date.(TW 10-Q 6/05). Relieving a significant number of senior executives could indicate a plan to close customer service offices and regionalize customer service operations, further impacting local customer service. TWC states that it "will maintain customer service offices to serve local customers," but the Company does not say where these offices will be located (TWC Nash 9/05).

Fewer Technology Upgrades--In addition to reducing cost of revenues and SG&A expenses, TWC will most likely examine another of its largest cash outflows: capital expenditures.

In the past, over 40% of TWC capital expenditures are from customer premise equipment (initial deployment of converters and cable modems) (TWC 12/31/04). It will be difficult for TWC to reduce these expenses in general without sacrificing quality and especially difficult to reduce with a 30% increase in subscriber base from the Adelphia transactions.

The next largest contributor (34% per year) to capital expenditures are scalable infrastructure, line extensions, and upgrades/rebuilds (TWC 12/31/04). Capital expenditures have totaled over 64% of Cash Provided by Operating Activities from 2002 to 2004 (Exhibit B). There were no noted pervasive system upgrades in those years (TWC 12/31/04). TWC has earmarked $600 million (TWC Bailey 7/05) to "upgrade plant infrastructure of the Acquired Systems to TWC's technical standards, including the upgrade of Adelphia Acquired Systems that are not yet upgraded to 750 MHz, replacement of cable plant and splitting of nodes" (Disclosure Stmt 6/05). In its projected financials, TWC anticipates total capital spending across all customer systems, including day-to-day operations as well as the aforementioned pervasive Adelphia system upgrades, to reach $2.8 billion in 2006 and again in 2007 and for total capital expenditures for the Adelphia systems in subsequent years to be "similar to that of the existing TWC systems." (Disclosure Stmt 6/05) $2.8 billion would represent 86% of projected cash provided by operating activities in 2006 and 70% of projected cash provided by operating activities in 2007. These percentages seem to accurately reflect historical TWC annual capital expenditures and an additional amount of $600 million earmarked for Adelphia upgrades.

The questions remain (1) whether $600 million is enough money to complete the pervasive system upgrades generally described in the Disclosure Statement and (2) whether one to two years is enough time to complete those upgrades. Given a cost of $4 billion for its last major system upgrade (TWC Nash 9/05), a cost of over $300 per subscriber, $600 million for the major Adelphia upgrades described seems relatively low at almost half this $300 per subscriber. This seemingly low amount, coupled with the fact that TWC will not provide details regarding where and how this earmarked $600 million is to be spent even though it projects completing the upgrades in the next two years begs the question of whether these upgrades will be as pervasive as described. Should TWC spend the earmarked $600 million on Adelphia capital expenditures, the company would be further motivated to reduce Cost of Revenues and SG&A expenses in order to return its investment in Adelphia, further impacting customer service.

Additionally, the newly introduced digital phone product is requiring significant capital expenditures in 2005 even though the company had predicted reduced capital expenditures this year (TW 10-Q 6/05). It does not appear that TWC has included significant increased digital phone capital expenditures in its Adelphia acquisition projections (Disclosure Stmt 6/05).

Exhibit A - The Adelphia/Time Warner Cable Transactions

Total Cost to Time Warner Cable of Adelphia Transactions

	Cost* (millions)	Subscribers Gained by TWC (millions)
Cash to Adelphia	$9,154	4.402
Agreed Upon Value of Stock in TWC issued to Adelphia Shareholders (a)	$4,960	0.000
Cash to Comcast for TWC Redemption Transaction (b)	$1,856	-0.587
Cash to Comcast for TWE Redemption Transaction (d)	$133	-0.168
Additional fair value of systems transferred in Redemption Transactions (e)	$2,866	
Swaps to Comcast	$0	-0.130
Effective Cost of Urban Cable which is then swapped to Comcast (f)	$169	0.000
Minimum Total Effective Cost to TWC of Adelphia Transactions & Net Subscribers Gained	**$19,138**	**3.517**
Minimum Total Effective Cost of Adelphia Transaction per Subscriber		**$5,442**

*** Cash required for purchase: $9,154 to Adelphia, $1,989 to Comcast, $53 to Urban = $11,196**

(a) page 241 of Second Amended Disclosure Statement

(b) TWC to pay Comcast $1856 million and 100% stock of TWC subsidiary with 587,000 subscribers; this will eliminate Comcast's 17.9% ownership interest in TWC

(d) TWC to pay Comcast $133 million and 100% stock of TWE subsidiary with 168,000 subscribers; this will eliminate Comcast's 4.7% ownership interest in TWE

(e) page 245 of Second Amended Disclosure Statement

(f) page 243 of Second Amended Disclosure Statement

Cash for Urban ($53M), Elimination of debt/int. due from Urban ($67M), and assumption of third party Urban debt ($49M); with 50,000 subs, net cost of $3,380 per subscriber

Anticipated TWC Funding Sources for Adelphia Transactions (millions)

New Debt:		
Intercompany Debt from TWX	$9,338	
TWX contribution of mandatorily redeemable preferred equity of subsidiary	($2,400)	
Net Increase in Bank Credit agreement and Commercial Paper from 12/31/04 to projected 1/1/06 amount	$1,530	
New mandatorily redeemable preferred equity of subsidiary	$500	
New Net Debt Acquired		$8,968
Agreed Upon Value of Stock in TWC issued to Adelphia Shareholders		$4,960
Total funding required for Adelphia Transactions		$13,928

	12/31/04	Post Adelphia (a)
Total Liabilities	$24,232	$33,693
Total Equity	$18,934	$21,227
Debt to Equity	1.28	1.59

(a) per TWC projected values at 12/31/2006 on page 253 of Second Amended Disclosure Statement; total liabilities would be higher were it not for $2,400 contribution by TWX (TWX trades $2400 of mandatorily redeemable preferred equity in TWC subsidiary for 12.4% equity in another TWC subsidiary: TWNY holding

All Data provided in this Exhibit can be found in the Time Warner Cable Consolidated Financial Statements for the years ended December 31, 2004, 2003 and 2002, in the TWC July 22, 2005 Response to Bailey, NC 7/9/05 letter and in the 6/24/05 Second Amended Disclosure Statement Pursuant to Section 1125 of the Bankruptcy Code

Exhibit B - Estimated Payback Period for TWC of Adelphia Investment

		(millions)
Total Cost of Adelphia Transaction (Exhibit A)		**$19,138**
Cash Operating Advantage per Year		
Estimated Operating Income per Subscriber Before Taxes, Depreciation and Amortization*	$263	
Subscribers gained in Adelphia Transactions (Exhibit A)	3,517,000 customers	
Estimated Incremental Cash Inflow per Year (millions)	**$925**	
Estimated Incremental Capital Outlays per Year (millions)* **	**($592)**	
Incremental Interest	**unknown**	
Estimated Maximum Cash Operating Advantage per Year		**$333**
Estimated Payback Period in Years for TWC of Adelphia Investment** **		**57.48 Years**

**** Note inherent limitation of Payback Period method is the failure to consider the time value of money. Since Time Warner Cable would not provide the terms of its debt or specific estimated capital outlays, it was impossible to consider the time value of money; hence the use of the Payback Method

* **Estimated Operating Income per Subscriber Before Taxes, Depreciation and Amortization***

Year Ended December 31, 2004 Weighted Average Total Subscription Revenue per Subscriber (Exhibit C - Chart 4)	$611
Less: YE 12/31/04 Operating Expenses per Subscriber**	-$348
Estimated Operating Income per Subscriber Before Taxes, Depreciation and Amortization*	**$263**

** **YE 12/31/04 Consolidated Statement of Operations**

	(millions)
Cost of Revenues	$3,723
SG&A Expenses	$1,483
Less: Related Transactions	-$668
Net Operating Expenses before Taxes, Deprec., and Amort.	$4,538
Total Consolidated Subscribers (Exhibit C - Chart 3)	13.048
YE 12/31/04 Operating Expenses per Subscriber	**$348**

*** **YE 12/31/04 Consolidated Statement of Cash Flows**

	2004 (millions)	2003 (millions)	2002 (millions)
Cash provided by operating activities (a)	2661	2128	2592
Cash used by capital expenditures (b)	-1712	-1637	-1813
Capital Expenditures as a percentage of Cash provided by Operating Activities (b / a)	**64%**	77%	70%

***Use lowest and most recent number as a conservative estimate**

All Data provided in this Exhibit can be found in the Time Warner Cable Consolidated Financial Statements for the years ended December 31, 2004, 2003 and 2002

Exhibit C - Revenue Analysis of TWC, Inc.

from Time Warner Cable Inc. Consolidated Financial Statements
for the Years Ended December 31, 2004, 2003 and 2002

Exhibit C - Chart 1

	Year Ended December 31, 2004	2003	2002
	(in millions)		
Revenues			
Subscriptions:			
Video	$6,180	$5,810	$5,365
High-Speed Data	$1,760	$1,422	$1,009
Digital Phone	$29	$1	n/a
Advertising	$515	$466	$661
Total Revenues	$8,484	$7,699	$7,035

Exhibit C - Chart 2
Total Consolidated Revenue by Year:
(Items in Black were given; Items in Red are inferred)

	Year Ended December 31, 2004	2003	2002
	(in millions)		
Subscriptions:			
Video Revenue			
Analog Video	$5,523	$5,285	$4,996
Digital Video	$657	$525	$369
Total Video Revenue	**$6,180**	**$5,810**	**$5,365**
High-Speed Data Revenue			
Residential	$1,564	$1,267	$976
Commercial	$196	$155	$33
Total HSD Revenue	**$1,760**	**$1,422**	**$1,009**
Digital Phone Revenue	**$29**	**$1**	**$0**
Total Subscriptions Revenue	**$7,969**	**$7,233**	**$6,374**
Advertising Revenue	$515	$466	$661
Total Revenues	$8,484	$7,699	$7,035

Exhibit C - Chart 3
Total Number of Consolidated Subscribers by Year:

	Year Ended December 31, 2004	2003	2002
	(in millions)		
Video Subscribers			
Analog Video	5.256	5.696	**
Digital Video	4.059	3.651	3.1
Total Video*	9.315	9.347	**
High-Speed Data Subscribers			
Residential	3.4	2.823	2.147
Commercial	0.151	0.115	0.076
Total High-Speed Data	3.551	2.938	2.223
Digital Phone Subscribers	0.182		
Total Subscribers	13.048	12.285	**

*Consolidated Video Subscribers 12/31/04 of 9.315 million plus 1.6 million unconsolidated investees totals 10.9 million basic cable/video subscribers

**Not provided

Exhibit C - Chart 4

Total Average Consolidated Subscriptions Revenue by Subscriber by Year (Chart 3 / Chart 2):

	Year Ended December 31,			Change From
	2004	2003	2002	2003 to 2004
Video				
Analog Video	1,051	928	*	123
Digital Video	162	144	119	18
Weighted Average Total Video Revenue per Subscriber	663	622	*	42
High-Speed Data				
Residential	460	449	455	11
Commercial	1,298	1,348	434	-50
Weighted Average Total HSD Revenue per Subscriber	496	484	454	12
Digital Phone	159			
Weighted Average Total Subscription Revenue per Subscriber	**$611**	**$589**	*	**22**

*Not enough data provided

Exhibit C - Chart 5

Total Change in Number of Consolidated Subscribers from 2003 to 2004:

	Year Ended December 31, 2004	
	(millions)	%
Video Subscribers		
Analog Video	-0.44	-7.7%
Digital Video	0.408	11.2%
Total Video	-0.032	-0.3%
High-Speed Data Subscribers		
Residential	0.408	14.5%
Commercial	-0.032	-27.8%
Total High-Speed Data	0.376	12.8%
Digital Phone Subscribers	0.182	
Total Subscribers	0.526	4.3%

Exhibit C - Chart 6

Total Change in Consolidated Subscription Revenue by Year:

	Year Ended December 31,			
	2004		2003	
	(millions)	%	(millions)	%
Video Revenue				
Analog Video	$238	5%	$289	6%
Digital Video	$132	25%	$156	42%
Total Video*	$370	6%	$445	8%
High-Speed Data Revenue				
Residential	$297	23%	$291	30%
Commercial	$41	26%	$122	370%
Total High-Speed Data	$338	24%	$413	41%
Digital Phone Revenue	$28	2800%	$0	0%
Total Subscription Revenue	$736	10%	$859	13%

Exhibit C - Chart 7 (page 1)

Total Change in Consolidated Subscription Revenue from 12/31/2003 to 12/31/2004

That Was Due to Increased Rates

(millions)

	2003 Revenue per Sub* (Chart 4) **(a)**	2004 Change in # Subs (Chart 5) **(b)**	Revenue Change for 2004 with Change in # Subs but no Increase in Rates **(d) = (a * b)**	2003 Subs (Chart 3) **(e) (millions)**	2004 Change in Ravenue per Sub (Chart 4) **(f) (millions)**	Revenue Change for 2004 with Rate Increase but no Change in # Subs **(g) = (e*f)**	(d) + (g) **(h)**	Percent of 2004 Revenue Increase Due to Increased Rates **(i) = (g) / (h)**	Percent of 2004 Revenue Increase Due to Increase in # Subs **(j) = (d) / (h)**	2004 Revenue Increase Due to Increased Rates = (i) * Change in Revenue for 2004 from Chart 6 **(k)**	2004 Revenue Increase Due to Increase in # Subs = (j) * Change in Revenue for 2004 from Chart 6 **(l)**	Total Video Revenue Increase = (k) + (l) = from Chart 6 **(m)**	Percent of Total Video Revenue Increase due to Increase in # Subs **(p)=(l) / (m)**
Video													
Analog Video	$928	-0.44	-$408	5.696	$123	700	$292	240%	-140%	$571	-$333	$238	
Digital Video	$144	0.41	$59	3.651	$18	66	$125	53%	47%	$70	$62	$132	17%
Total			-$350			766	$417			$640	-$270	$370	
High-Speed Data													
Residential	$449	0.41	$183	2.823	$11	32	$215	15%	85%				
Commercial	$1,348	-0.03	-$43	0.115	-$50	-6	-$49	12%	88%				
Total			$140			26	$166						

*Sub = Subscriber

Exhibit D - Selected Financial Information for Time Warner Inc. and Time Warner Cable Inc.

	Time Warner Inc.			Time Warner Cable (sub)					
	12/31/2003 (millions)	12/31/2004 (millions)	3/31/2005 (millions)	12/31/2002 (millions)	12/31/2003 (millions)	% of TWInc.	12/31/2004 (millions)	% of TWInc.	3/31/2005 (millions)
CA	12,268	14,639	15,646		798	6.50%	525	3.59%	*
CL	16,295	14,624	12,985		1,666	10.22%	1,704	11.65%	*
Quick CA	7,948	11,651	11,506		[redacted]	[redacted]	[redacted]	[redacted]	*
Inventory	1,390	1,737	1,972		0		0	0.00%	N
Sales	39,563	42,089	10,483	7,035	7,699	19.46%	8,484	20.16%	O
Receivables	4,908	5,512	4,494		370	7.54%	363	6.59%	T
Fixed As	12,559	13,094	13,160		8,193	65.24%	8,474	64.72%	
Total As	121,780	123,339	123,156		42,920	35.24%	43,165	35.00%	P
Equity	56,213	60,771	63,311		[redacted]	[redacted]	[redacted]	[redacted]	R
NOI	5,254	6,165	1,779	-9,060	1,519	28.91%	1,764	28.61%	O
Interest Exp	1,734	1,533	346	385	[redacted]	[redacted]	[redacted]	[redacted]	V
Fixed Expenses									I
NI	2,639	3,364	963	-37,377	[redacted]	[redacted]	[redacted]	[redacted]	D
CGS	23,422	24,449	6,000	3,033	3,343	14.27%	3,723	15.23%	E
selling/gen/admin	9,834	10,300	2,528	1,304	1,376	13.99%	1,483	14.40%	D
Total Liabilities	65,567	62,568	59,845		[redacted]	[redacted]	[redacted]	[redacted]	*

All Data provided in this Exhibit can be found in the Time Warner Inc. 2004 10-K and in the Time Warner Cable Inc. Consolidated Financial Statements for the years ended December 31, 2004, 2003 and 2002

Exhibit E - Selected Financial Ratios for Time Warner Inc., Time Warner Cable Inc. and Adelphia Communications Corporation

		Time Warner Inc.			Time Warner Cable (sub)			Adelphia Comm. Corp.		
		YE 03 (millions)	YE 04 (millions)	1Q 05 (millions)	YE 02 (millions)	YE 03 (millions)	YE 04 (millions)	YE 01 (millions)	YE 02 (millions)	YE 03 (millions)
Liquidity Ratios	***compare to industry average / helpful to investigate trends in these ratios over time*									
Working Capital	CA-CL	-4027	15	2661	0	-868	-1179	-18.56	-0.25	-0.48
Current Ratio	Current Assets/Current Liabilities ***high current ratio = liquid & in good position to meet current liabilities***	0.75	1.00	1.20		0.48	0.31	0.02	0.66	0.52
Quick Ratio (acid-test ratio)	(CA-Inventory)/CL (Cash + ST mktable securities+net ST Receivables)/CL ***reflects firm's ability to pay ST obligations***	0.49	0.80	0.89		0.42	0.27	0.02	0.49	0.39
Defensive Interval	Defensive As/Avg Daily exp. For operations (Cash+ST MKTable securites+net st receivables)/((cgs+selling &admin exp + other ordinary exp - deprec)/365) ***measures com's survivability in absence of external cash flows***	87.23	122.38	123.11	0.00	54.07	32.60	41.05	50.47	52.53
Profitability Ratios										
Profit Margin	Net Income/sales ***% of every sales dollar converted to income***	7%	8%	9%	-531%	10%	9%	-184%	-220%	-23%
ROA	NI/Total Assets ***how profitably firm has used its assets***	2%	3%	1%		2%	2%	-35%	-53%	-6%
ROE	NI/Equity ***indicates ROR earned on book value of Owner's Equity***	5%	6%	2%		4%	4%	260%	120%	12%
Leverage Ratios	***indicate to what extent firm has financed its investments by borrowing*									
Total Liab to Total Assets	TL/TA ***high values indicate increased risk to creditors***	0.54	0.51	0.49		0.55	0.56	1.13	1.44	1.53
Debt-to-Equity Ratio	Total Liabilities/Equity radical departure from industry norm is dangerous	1.17	1.03	0.95		1.23	[redacted]	-8.46	-3.27	-2.89
Times Interest Earned	Net Operating Income/Interest Expense ***how ably firm can meet its interest obligations***	3.03	4.02	5.14	-23.53	3.09	3.79	-4.18	-6.35	-0.67

Exhibit E - Selected Financial Ratios for Time Warner Inc., Time Warner Cable Inc. and Adelphia Communications Corporation
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		Time Warner Inc.			Time Warner Cable (sub)			Adelphia Comm. Corp.		
		YE 03 (millions)	YE 04 (millions)	1Q 05 (millions)	YE 02 (millions)	YE 03 (millions)	YE 04 (millions)	YE 01 (millions)	YE 02 (millions)	YE 03 (millions)
Activity Ratios	***indicator of how well the firm manages its assets*									
Inventory Turnover	Sales/Avg. Inventory	**28.46**	**26.92**	**22.61**						
	low turnovers may result from excessive inventory levels, presence of damaged or obsolete inventory, or unexpectedly low sales levels abnormally high turnovers may indicate that inventory levels are so low that stockouts will occur and future sales will be impaired									
Collection Period	Receivables/Sales per Day (Avg. Receivables * 365)/Sales	**45.28**	**21.28**	**23.99**	**0.00**	**17.54**	**15.62**	**21.98**	**15.26**	**14.07**
	assuming all sales are made on credit, how many days worth of sales are tied up in receivables? Measures quality of Accounts Receivable if collection period is substantially longer than credit terms on invoices, A/R are not being managed well in relation to the firm's credit policy									
Fixed Assets Turnover	Sales/Avg Fixed Assets ***higher than avg. FA Turnover reflects better than avg FA mgmt*** ****be careful...book value may be lower than true values***	**3.15**	**3.28**	**3.19**		**0.94**	**1.00**			
Total Assets Turnover	Sales/Avg Total Assets ***indicates how many dollars of sales are supported by $1 of total tangible assets*** ***higher...better***	**0.32**	**0.34**	**0.34**		**0.18**	**0.20**	**0.19**	**0.24**	**0.27**